



## NEWS RELEASE

For Immediate Release – August 29, 2014

### Chelyabinsk Zinc Plant Announces H1 2014 Consolidated Financial Results

**Chelyabinsk, Russia – August 29, 2014** – Chelyabinsk Zinc Plant (LSE, MICEX: CHZN), Russia's largest producer of zinc and zinc alloys, is pleased to announce its IFRS financial results for the six months ended June 30, 2014.

#### H1 2014 HIGHLIGHTS

- Chelyabinsk Zinc Plant's (CZP) revenue totalled RUB 6,733 mln.
- EBITDA amounted to RUB 1,175 mln or 17% of revenue.
- Net profit was RUB 925 mln or 14% of revenue.

#### Consolidated financial results

(in millions of Russian Roubles)	H1 2014	H1 2013	Change, %
<b>Revenue</b>	6,733	6,186	9%
<b>Gross profit</b>	1,838	808	127%
<i>Gross margin, %</i>	<i>27%</i>	<i>13%</i>	
<b>EBITDA (1)</b>	1,175	399	195%
<i>EBITDA margin, %</i>	<i>17%</i>	<i>6%</i>	
<b>Profit / (Loss) before income tax</b>	1,218	(71)	n/a
<b>Net profit / (loss)</b>	925	(109)	n/a
<i>Net margin, %</i>	<i>14%</i>	<i>n/a</i>	

(1) EBITDA, for any relevant period, represents operating profit before interest, income tax, depreciation and amortization.

EBITDA is not a measurement of CZP's operating performance presented in the financial information, prepared in accordance with IFRS, and should not be considered as an alternative to operating profit or any other performance measure derived in accordance with IFRS or other relevant financial framework.

## Revenue

H1 2014 consolidated revenue increased by 9% to RUB 6,733 mln as compared to H1 2013.

The average LME zinc price in H1 2014 increased by 6% as compared to the relevant period of the previous year and amounted to US\$ 2,051/tonne. The average LME lead quotes decreased by 3.5% to US\$ 2,101/tonne. US Dollar/Russian Rouble average exchange rate increased by 13% to RUB 34.98/US Dollar.

### Revenue structure

(in millions of Russian Roubles)	H1 2014	H1 2013	Change, %
Zinc and zinc alloys	4,779	4,474	7%
<i>CZP</i>	3,387	3,591	(6%)
<i>Brock Metal</i>	1,392	883	58%
Zinc tolling	1,007	574	75%
Lead concentrate	249	270	(8%)
<i>CZP</i>	43	47	(9%)
<i>Nova Zinc</i>	206	223	(8%)
Other products	698	868	(20%)
<b>Total revenue</b>	<b>6,733</b>	<b>6,186</b>	<b>9%</b>

In H1 2014, CZP's revenue from sale of zinc and zinc alloys decreased by 6% as compared to the H1 2013 and amounted to RUB 3,387 mln. Decrease of the revenue was due to decline of sales on the domestic market by 20.3% (H1 2014: 41.9 thousand tonnes; H1 2013: 52.6 thousand tonnes).

Revenue of The Brock Metal Company Limited for H1 2014 amounted to RUB 1,392 mln, 58% higher than in H1 2013. This increase was due to 32.5% growth of zinc alloys sales (H1 2014: 15.9 thousand tonnes; H1 2013: 12.0 thousand tonnes) and 22.4% growth of Pound Sterling (GBP)/Russian Rouble average exchange rate (H1 2014: RUB 58.55; H1 2013: RUB 47.83).

CZP received revenue of RUB 1,007 mln under tolling agreement in H1 2014, which is 75.4% higher compared to H1 2013. The increase of tolling's volume (H1 2014: 37.3 thousand tonnes; H1 2013: 21.3 thousand tonnes) was due to decrease of zinc and zinc alloys sales on the domestic market. Fixed processing fee amounted to RUB 27,000/tonne.

Revenue from lead concentrate sales for H1 2014 amounted to RUB 249 mln (H1 2013: RUB 270 mln).

In H1 2014, revenue from CZP's other by-products decreased by 20% to RUB 698 mln as compared to H1 2013. The main reason of revenue decrease was the temporary interruption of precious metals sales due to prices reduction (average official prices for gold in H1 2014: RUB 1,458/gram, in H1 2013: RUB 1,515/gram; silver in H1 2014: RUB 22.6/gram, in H1 2013: RUB 26.5/gram).

## Cost of Sales

(in millions of Russian Roubles)	H1 2014	H1 2013	Change, %
Raw materials and consumables used in production	3,068	3,119	(2%)
Utilities and fuel	597	1,089	(45%)
Depreciation and amortization	394	447	(12%)
Staff cost	461	414	11%
Repairs and maintenance	328	391	(16%)
Change in work-in-progress	113	92	24%
Mineral extraction tax	65	64	-
Other taxes	47	43	9%
Production overheads	174	191	(9%)
Inventory provision	-	(7)	n/a
Change in finished goods	(427)	(552)	n/a
Other costs	76	87	(13%)
<b>Cost of sales</b>	<b>4,896</b>	<b>5,378</b>	<b>(9%)</b>

Cost of materials and consumables used primarily comprises of the cost of zinc concentrate, zinc containing raw materials, materials for alloys production and auxiliary materials used in the production process. The main reason of changes was the volume decline of purchased raw materials due to structure changes of zinc and zinc alloys sales related to JSC «CZP».

In H1 2014, costs of utilities and fuel decreased by 45% to RUB 597 mln mainly due to decrease of expenses on electricity transmission services. In H1 2014 expenses on electricity transmission services were accrued applying tariffs of OJSC “FSK UES” while during H1 2013 – applying tariffs of OJSC “MRSK-Ural”. As the result electricity tariff for CZP in H1 2014 was RUB 1.81 per kWh while in H1 2013 – RUB 2.23 per kWh.

Besides cost of sales for H1 2014 includes adjustment for the expense for electricity transmission services accrued for the period from 1 May 2013 till 31 December 2013 for the amount of RUB 359 mln due to termination of litigation between JSC “CZP” and OJSC “FSK”.

Staff costs increased by 11% as compared to the relevant period of the previous year, to RUB 461 mln. The increase was due to the growth of average salaries.

### Distribution, General and Administrative Expenses

In H1 2014, distribution costs increased by 10% and amounted to RUB 377 mln. The main reason was the increase of sulphuric acid transportation costs due to market expansion.

General and administrative expenses amounted to RUB 444 mln in H1 2014, 4% lower than in H1 2013.

### Other operating income and expenses

In H1 2014 other operating income totaled RUB 339 mln. The main reason – the reversal of previously accrued impairment loss related to LLP “Nova Zinc”.

As at 31 December 2013 an impairment loss was recognized in the amount of RUB 387 mln, related to LLP “Nova Zinc”. Due to a change of forecast market data, such as the Tenge exchange rate to the US dollar and projected zinc and lead LME (London Metal Exchange) prices, there are indicators that previously recognized impairment loss should be reversed.

The carrying amount of assets was recovered to their book value, that would have had been should the impairment loss had never been recognized as at 31 December 2013. The reversal of previously accrued loss amounted to RUB 319 mln.

In H1 2014 other operating expenses totaled RUB 296 mln against RUB 81 mln in H1 2013. The main reason – provision on potential liabilities of LLP “Nova Zinc” relating to the environmental disputes including environmental, tax and administrative fines and penalties for the period from 1 January 2013 to 30 June 2014.

### **Net profit / Net loss**

Net profit for H1 2014 totalled RUB 925 mln compared to net loss of RUB 109 mln for H1 2013. Significant net income growth was due to the increase of revenue with a simultaneous decrease of cost of sales and also to the reversal of previously accrued impairment loss related to LLP “Nova Zinc”.

### **About Chelyabinsk Zinc Plant**

*Chelyabinsk Zinc Plant is the leading Russian zinc producer. In 2013 the plant produced 166,357 tonnes of saleable SHG zinc.*

*According to consolidated IFRS accounts, revenue in 2013 was RUB 13,062 mln and EBITDA was RUB 1,077 mln.*

*Ordinary shares of CZP are traded on the Moscow exchange MICEX-RTS under ticker CHZN and Global Depository Receipts (GDR) are traded on the London Stock Exchange under ticker CHZN.*

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